Investing in leadership development can be a game changer. Deloitte’s “high leadership maturity” organizations are five times more likely to be highly effective at anticipating and responding to change.¹ According to research by the Center for Creative Leadership, 86% of organizations with strategic leadership development programs were able to respond quickly to unpredictable environments, compared to 52% of organizations with “less mature” programs.²

Yet despite the fact that success in Industry 4.0 will require agile, flexible, innovative leaders (and equally agile, flexible, and innovative organizations), only 2% of college students surveyed by the National Association of Colleges and Employers (NACE) planned to enter federal service after graduation.³ And only 14% of respondents in DDI’s 2018 Global Leadership Forecast believed their organization had a strong pipeline of tomorrow’s leaders.⁴

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How then can organizations build a strong leadership pipeline?

Identify future leaders from within.

Developing leaders from within isn’t just more cost effective. Studies show that external leadership hires have higher turnover rates and lower performance evaluations within the first two years. They also cost 18-20% more than internal hires.\(^5\)

Identifying the right internal leadership candidates can be a challenge, especially without a process in place. Relying on gut feelings about intangibles puts organizations at risk; research shows that people more often select leaders who are “most like themselves,” not those who are necessarily most qualified to lead.\(^6\)

Organizations can find better leaders, faster, by relying less on the subjective and more on talent management data. Data isn’t limited to learning and performance metrics. Organizations can also use technology tools to identify what researchers at MIT call the “four specific types of potential”: intellectual ability, motivation, social, and emotional competence.\(^7\) While a nine-box grid is an important performance management tool, the grid is most powerful in a succession planning capacity when used in tandem with other tools, such as comprehensive behavioral and talent assessments that also measure relevant capabilities, e.g., situational judgment, values, knowledge, motivation, culture fit, and personality.

Nurture future leaders at all levels.

Many organizations still only develop leaders at the executive level. In contrast, vanguard organizations know that developing leaders at all levels—first-time managers, middle managers, and executives—builds a stronger succession pipeline and engages employees with meaningful career opportunities.

**First-time managers.** First-time managers, often promoted because they are good at their jobs, are expected to be equally good at managing. Yet management itself requires a completely different skillset, one that few first-time managers have had time to develop.

According to research by development and training provider The Ken Blanchard Companies, 60% of new managers not only underperform in their first 24 months but develop poor career-long habits during the same time period.\(^8\) It’s not a mystery as to why: 85% of new managers don’t get any training before starting in their new role.\(^9\)

Organizations can help first-time managers lead more effectively by providing leadership development before, during, and after the transition to a management role. New managers need new skills, such as how to engage and coach employees and drive performance. However, leadership development that is integrated into daily work life is far more effective than one- or two-day “trainings.”

Providing leadership development opportunities may also help new managers reduce anxiety and increase confidence: research by Deloitte and LinkedIn found that heavy learners (those who spend more than five hours learning at work per week) are:

- 47% less likely to be stressed on the job
- 39% more likely to feel productive and successful
- 23% more likely to take on additional responsibilities at work.\(^10\)
Middle managers. Leadership development may be most critical for middle managers and yet this group receives the least amount of training. This despite the fact that 50% of surveyed employees have quit due to a bad manager,11 and managers are, according to Gallup, the “largest variable in employee engagement, performance, and well-being.”12

Great managers are made, not born: research shows that only 1 in 10 people are naturally talented at managing people,13 so leadership development at the middle manager level is critical. Organizations can help develop middle managers by creating a work environment and culture that supports leadership growth and risk taking, providing development opportunities within the context of work, and enabling collaboration with and sponsorship by upper-level leaders.

Executive leaders. Despite years of experience, executives still need opportunities to learn and stretch. However, traditional executive leadership programs may not be giving today’s leaders what they really need. Per the Harvard Business Review, these programs are too focused on “discipline-based skill sets,” e.g., strategy development and financial analysis, when leaders really need to learn “communication, affective, and perceptual skills.”14

Executives need professional-level development plans, as well as action steps and resources to achieve learning and development goals. Deloitte found that the most successful leadership development programs focus on far more than just formal training. Companies with mature leadership “embed leadership growth into their daily work processes and culture.”15 To facilitate this integration, leading organizations are giving executive learners more interactive, continuous, and embedded learning experiences using online tools, in addition to in-person coaching.

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